INCOMING TELEGRAM — Department of State

CONFIDENTIAL SECURITY INFORMATION

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FROM: Tokyo
TO: Secretary of State
NO: 1581, November 17, 7 p.m.

PRIORITY

Control: 5925
Rec'd: November 17, 1952
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DEPARTMENT OF STATE
L/T
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TREATY BRANCH

FCN Treaty

Japanese Government questions word "domestication" para 1, Article 5, which they state untranslatable. Will Department accept rephrasing "without registration of similar requirements". Request comments.

DEPTEL 1197, November 11 accepted principle reservations para 2, Article 7. Embassy attempting conclude discussions next few days and believes formal negotiations possible late December. Japanese Government appears anxious conclude negotiations soonest. Current discussions being held thrice weekly, therefore request Department accept or suggest substitution phrase "shipbuilding; the manufacture or distribution of electricity, gas, and water; railway transportation," bus and trucking services involving long-distance transportation" para 2 Article 7 fol words "fiduciary functions".

Investment screening strongly urged by Japanese Government and appears major issue Article 7 and entire treaty. On basis previous Department comments Embassy suggests second sentence, para 1 reading "accordingly, such nationals and companies subject only to such conditions as the other party may consider it necessary to impose at the time of entry in support of its balance of payments position, shall be permitted etc." Embassy believes acceptance reservation this nature necessary but has insisted national treatment be safeguarded following entry capital. Japanese Government appears desire control alien investment activity even after screening in accordance restrictive foreign investment law. Embassy has stated this law should be amended ititb* prevents national treatment after entry and believes Japanese Government may concede.

Japanese Government has already requested revision para 4 Article 9 to read "asscequoth* in Article 7 para 2" replacing "carrying on particularly types of activity". Embassy recommends acceptance believing Japanese Government proposal highly suited our purposes assuring national treatment after screening. Japanese Government professes see relationship control capital entry desired Article 7 to provisions Article 9 para 4 as they affect reinvestment profits but Embassy believes reservation other than in Article 7

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in Article 7 unnecessary and undesirable. Will appreciate Department comments relation these paras and acceptance or suggestions re Embassy wording above.

MURHPY

JAK:AW

Note: *As received. Verification has been requested.